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Convention to Combat Desertification

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PROGRAMME AND BUDGET

(e) AUDITED FINANCIAL STATEMENTS FOR THE CONVENTION'S TRUST FUNDS IN 1999

Report of the United Nations Board of Auditors

Note by the secretariat

Addendum

CONTENTS

		Paragraphs	Page
I.	INTRODUCTION	1 - 5	2
	A. Mandate	1 - 4	2
	B. Scope of the report	5	2
II.	SIGNED AUDIT CERTIFICATE AND REPORT BY THE UNITED NATIONS BOARD OF AUDITORS ON THE FINANCIAL STATEMENTS OF THE FUNDS OF THE UNCCD FOR THE YEAR ENDED 31 DECEMBER 1999		3
III.	AUDITED AND CERTIFIED FINANCIAL STATEMENTS OF THE UNITED NATIONS CONVENTION TO COMBAT DESERTIFICATION FOR THE YEAR ENDED 31 DECEMBER 1999		11

* ICCD/COP(4)/1.

I. INTRODUCTION

A. Mandate

1. Paragraph 20 of the UNCCD financial rules (ICCD/COP(1)/11/Add.1, decision 2/COP.1, annex) states that "the accounts and financial management of all funds governed by the present rules shall be subject to the internal and external audit process of the United Nation".

2. In September 2000, the United Nations Board of Auditors carried out an audit of the Convention's operations for the year ended 31 December 1999 and conducted a management review of the administrative arrangements established by the secretariat. The objectives of the audit were to: enable the Board to form an opinion as to whether the expenditures recorded in the financial statements for the period from 1 January to 31 December 1999 had been incurred for the purposes approved by the Conference of Parties; ascertain that income and expenditures were properly classified and recorded in accordance with the Financial Regulations and Rules; verify that the Convention's financial statements presented fairly the financial position as at 31 December 1999; evaluate the adequacy of the financial systems and internal controls; examine the accounting records and other supporting evidence and determine the efficiency of financial procedures, the internal financial controls and, in general, the administration and management of UNCCD.

3. The report by the auditors, which is being submitted herein in its entirety, indicates that UNCCD has conducted its operations in accordance with the United Nations accounting standards and has established a sound financial basis. The report has made suggestions for continuous improvement of both financial and administrative management of UNCCD.

4. The Conference of Parties may wish to consider the recommendations of the board of auditors and provide guidance to the Executive Secretary on how they could be implemented.

B. Scope of the Report

5. This document is divided into two main parts. Part one contains the report of the United Nations Board of Auditors on the financial and management issues of the Convention. Part two contains the audited and certified financial statements for the year ended 31 December 1999, the Executive Secretary's statement summarizing the performance of the secretariat for the year ended 31 December 1999 and the notes to the financial statements.

(II) REPORT OF THE UNITED NATIONS BOARD OF AUDITORS ON THE FINANCIAL STATEMENTS OF THE FUND OF THE UNITED NATIONS CONVENTION TO COMBAT DESERTIFICATION FOR THE YEAR ENDED 31 DECEMBER 1999

Contents

		Paragraphs	Page
II.	**REPORT OF THE BOARD OF AUDITORS**		
	Summary		5
A.	**Introduction**		5
	1. Main recommendations	7	6
B.	**Financial issues**		
	1. United Nations Accounting Standards	8-9	6
	2. Financial Position	10-14	7
	3. Write-off of losses of cash, receivables and property	15	7
	4. Ex-gratia payments	16	7
C.	**Management issues**		
	1. Administrative arrangements	17-20	8
	2. Cases of fraud and presumptive fraud	21	8
D.	**Acknowledgement**	22	9
III.	**AUDIT OPINION**		10

II. REPORT OF THE BOARD OF AUDITORS

Summary

The Board of Auditors has reviewed the operations for the United Nations Convention to Combat Desertification (UNCCD) for the year ended 31 December 1999 and conducted a management review of the administrative arrangements established by UNCCD.

The Board's main findings are:

(a) UNCCD had generally complied with the United Nations Accounting Standards;

(b) During 1999 UNCCD established a sound financial basis, with good liquidity;

(c) For 35 Member States who had yet to pay their assessed contributions of $50 or less, the cost of collection of these outstanding amounts may exceed their value; and

(d) Logistical difficulties had arisen in UNCCD's administrative arrangements, whereby the United Nations Office at Geneva had prepared the financial statements for UNCCD.

The Board made recommendations to improve the disclosure of liabilities, determine the minimum level of assessed contributions sufficient to cover collection costs and complete the review of the existing administrative arrangements.

A. Introduction

1. The aim of the United Nations Convention to Combat Desertification (UNCCD) is to combat desertification and mitigate the effects of drought. Initiated at the United Nations Earth Summit, held in Rio de Janeiro in 1992, the Convention entered into force in December 1996. Over 150 countries are now Parties to the Convention. At the heart of the Convention is the commitment of affected countries to prepare and implement action programmes to prevent land degradation. The focus is on popular participation and helping local people prevent and reverse land degradation. 1999 was the first year of operation of the Permanent Secretariat of the UNCCD at its location in Bonn, Germany.

2. The Board of Auditors has audited the financial statements of the UNCCD for the period from 1 January to 31 December 1999. The audit was conducted in conformity with article XII of the Financial Regulations and Rules of the United Nations and the annex thereto, and the common auditing standards of the Panel of External Auditors of the United Nations, the specialized agencies and the International Atomic Energy Agency. These standards require that the Board plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free of material misstatement.

3. The audit was conducted to enable the Board to form an opinion as to whether the expenditures recorded in the financial statements for the period from 1 January to 31 December 1999 had been incurred for the purposes approved by the governing bodies; whether income and expenditures were properly classified and recorded in accordance with the Financial Regulations and Rules; and whether UNCCD's financial statements presented fairly the financial position as at 31 December 1999. The audit included a general review of financial systems and internal controls and a test examination of accounting records and other supporting evidence, to the extent the Board considered necessary to form an opinion on the financial statements.

4. In addition to its audit of the accounts and financial transactions, the Board carried out reviews under article 12.5 of the Financial Regulations and Rules of the United Nations. The reviews primarily concerned the efficiency of financial procedures, the internal financial controls and, in general, the administration and management of UNCCD.

5. The present report covers matters that, in the opinion of the Board, should be brought to the attention of the Conference of Parties. The Board's observations on all matters contained in the present report were communicated to UNCCD. UNCCD has confirmed the facts on which the Board's observations and conclusions are based and provided explanations and answers to the Board's queries.

6. The Board's main recommendations are presented in paragraph 7 below. The detailed findings are in paragraph 8 to 21.

1. Main recommendations

7. The Board recommends that UNCCD:

(a) Disclose in the notes to the financial statements the value and method of valuation of liability for end-of-service benefits, post-retirement benefits and annual leave, in compliance with United Nations Accounting Standards (para. 9);

(b) Determine a minimum level of assessed contribution sufficient to cover collection costs, taking account of the scale of assessment approved by the Conference of the Parties (para. 13); and

(c) In conjunction with other United Nations bodies at Bonn, complete its review of administrative arrangements as soon as possible in order to establish the most cost effective arrangements (para. 20).

B. Financial issues

1. United Nations Accounting Standards

8. The Board assessed the extent to which UNCCD's financial statements for the year ended 31 December 1999 conform to the United Nations Accounting Standards. The review indicated that the presentation of the financial statements is generally consistent with the standards. The Board recognizes that in the case of UNCCD, where staff were employed on limited contracts during 1999, there were no liabilities for end-of-service benefits, post-retirement benefits and annual leave. However, for the future, such liabilities are required to be disclosed.

9. The Board recommends that, for the future, UNCCD disclose in the notes to the financial statements the value and method of valuation of liability for end-of-service benefits, post-retirement benefits and annual leave, in compliance with United Nations Accounting Standards.

2. Financial position

Overall Position

10. As shown in Statement I, UNCCD's total income of $10.1 million in 1999 exceeded its total expenditure of $9.5 million by $638,642. This excess of income over expenditure, together with transfers from other funds, increased UNCCD's combined fund balance to $3.5 million as at 31 December 1999.

11. Statement II shows that UNCCD has a good overall liquidity position, with a ratio of current assets ($6,271,342) to current liabilities ($2,752,598) of 2.28:1. This slightly exceeds the generally accepted recommended ratio of 2:1. Statement II shows that, as intended, UNCCD was able to build up the Operating and Working Capital Reserves to the target levels of 15 per cent and 8.3 per cent of expenditure respectively for three of the Trust Funds. During 1999 UNCCD did not need to draw down any of its reserves, which remained at $589,327 (operating reserve) and $417,011 (working capital reserve). The Board is pleased to note the Secretariat's efforts to establish the financial stability of the Convention's Trust Funds in this first year of operation.

Assessed Contribution Income

12. Schedule 1.1 to the Financial Statements shows total assessed contributions of $4,956,870 for 1999. Some $396,736 (8 per cent) of this amount remained outstanding at 31 December 1999. The Board notes that unpaid contributions from four member states totalled $294,040, or 74 per cent of the outstanding amount. However, the Board notes that assessed contributions of $50 or less remained outstanding in respect of 35 Member States. The Board questions whether the administrative costs of collecting such low value contributions will exceed the amounts concerned.

13. The Board recommends that UNCCD determine a minimum level of assessed contribution sufficient to cover collection costs, taking account of the scale of assessment approved by the Conference of the Parties.

Core Budget Expenditures

14. For the Trust Fund for the Core Budget, Statement I shows total expenditure of $5,024,235, whereas Statement IV shows total expenditure of $4,982,413. As noted in Statement IV, the difference of $41,822 was due to exchange losses which were not charged against the budget, but charged to the Income and Expenditure account. Overall, total expenditures of $5.4 million, including amounts totalling $417,011 transferred to the Working Capital Reserve, were within the budget of $6.1 million approved by the COP. However, the Board notes that UNCCD overspent the budget approved for expenditure on Executive Direction and Management by $79,605 (12.7 per cent) due to the expansion of ratification and awareness raising activities at a faster rate than expected.

3. Write-off of losses of cash, receivables and property

15. In 1999 UNCCD suffered no losses of cash, receivables or property.

4. Ex-gratia payments

16. No ex-gratia payments were reported by UNCCD during the period.

C. Management issues

1. Administrative arrangements

17. Under the administrative support arrangements outlined by letter in April 1998, the United Nations, through its office at Geneva (UNOG), provides support to UNCCD in the areas of personnel, finance and common services. The costs of providing these services are financed from Programme Support Costs levied on expenditures recorded under UNCCD's four Trust Funds. Part of these Programme Support Costs are used to finance the Administrative Unit of the UNCCD Secretariat in Bonn.

18. From Note 3 to the Financial Statements, total Programme Support Costs in 1999 were $978,301. UNCCD, with the approval of the United Nations Department of Management, used $315,000 of this amount to finance four posts in its Administrative Unit. The total cost to UNCCD in 1999 for administrative services provided by the United Nations was therefore $663,301, or 7 per cent of total UNCCD expenditures.

19. The Board's audit of the UNCCD Financial Statements revealed that the physical location of the United Nations at Geneva and UNCCD in Bonn created logistical difficulties. The Board noted examples of Miscellaneous Income, Interest Income, Accounts Payable and Accounts Receivable accounts that were directly controlled by UNOG and for which UNCCD was unable to verify the supporting documentation. The Board also noted that UNCCD had established a financial monitoring system that enabled it to alert UNOG to cases of misposting or omission of entries. This control had identified one instance where an obligation valued at $18,000 was recorded twice, as both UNCCD and UNOG raised documentation for the same travel advance. In addition, UNOG maintained UNCCD's accounts on the old General Accounting System (GAS) rather than on the recently installed Integrated Management information System (IMIS). UNCCD explained to the Board that it is reviewing the current arrangements and procedures in conjunction with the other United Nations bodies in Bonn.

20. While recognising the controls that UNCCD has put in place to monitor its financial position, the Board recommends that UNCCD, in conjunction with other United Nations bodies at Bonn, complete its review of administrative arrangements as soon as possible in order to establish the most cost effective arrangements.

2. Cases of fraud and presumptive fraud

21. UNCCD reported no cases or fraud or presumptive fraud in 1999.

D. Acknowledgment

22. The Board of Auditors wishes to express its appreciation for the co-operation and assistance extended to its auditors by the Executive Secretary and the staff of UNCCD.

Sir John BOURN
Comptroller and Auditor General
of the United Kingdom of Great Britain
and Northern Ireland

Celso D. GANGAN
Chairman, Philippine Commission on Audit

Shauket FAKIE
Auditor-General of the Republic of South Africa

31 October 2000

Audit Opinion

We have audited the accompanying financial statements, comprising Statements I to IV, Schedules 1.1 and 1.2 and the supporting notes of the United Nations Convention to Combat Desertification for the year ended 31 December 1999. The financial statements are the responsibility of the Executive Secretary. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the Common Auditing Standards of the Panel of External Auditors of the United Nations, specialized agencies and the International Atomic Energy Agency. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, and as considered by the auditor to be necessary in the circumstances, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Executive Secretary, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for the audit opinion.

In our opinion, these financial statements present fairly, in all respects, the financial position as at 31 December 1999 and the results of operations and cash flows for the period then ended in accordance with the Convention's stated accounting policies set out in Note 2 of the financial statements.

Further, in our opinion, the transactions of the Convention which we have tested as part of our audit, have in all significant respects been in accordance with the Financial Regulations and Legislative Authority.

In accordance with Article XII of the Financial Regulations, we have also issued a long-form Report on our audit of the Convention's financial statements.

Sir John BOURN
Comptroller and Auditor General
of the United Kingdom of Great Britain
and Northern Ireland

Celso D. GANGAN
Chairman, Philippine Commission on Audit

Shauket FAKIE
Auditor-General of the Republic South Africa

31 October 2000

SECRETARIAT OF THE CONVENTION TO COMBAT DESERTIFICATION
SECRETARIAT DE LA CONVENTION SUR LA LUTTE CONTRE LA DESERTIFICATION

III. AUDITED AND CERTIFIED FINANCIAL STATEMENTS OF THE UNITED NATIONS CONVENTION TO COMBAT DESERTIFICATION FOR THE YEAR ENDED 31 DECEMBER 1999

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SECRETARIAT OF THE CONVENTION TO COMBAT DESERTIFICATION
SECRETARIAT DE LA CONVENTION SUR LA LUTTE CONTRE LA DESERTIFICATION

UNITED NATIONS
NATIONS UNIES

LETTER OF TRANSMITTAL

02 October 2000

Sir,

Pursuant to financial regulations 11.4, I have the honour to submit the audited accounts of the United Nations Convention to Combat Desertification for the year 1999 as at 31 December, which I hereby approve.

Accept, Sir the assurance of my highest consideration

UNCCD

Mr. Hama Arba Diallo
Executive Secretary
Permanent Secretariat
United Nations Convention to Combat Desertification

The Chairman
The Board of Auditors
United Nations
New York

CCD

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AUDITED FINANCIAL STATEMENTS OF UNITED NATIONS CONVENTION TO COMBAT DESERTIFICATION FOR THE YEAR ENDED 31 DECEMBER 1999

CONTENTS

		PAGE
A	REPORT OF THE EXECUTIVE SECRETARY	14 - 16
B	CERTIFICATION OF THE FINANCIAL STATEMENTS	17
C	FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 1999	
Statement I	Statement of income and expenditure and changes in reserves and fund balances for the year ended 31 December 1999	18
Statement II	Statement of assets, liabilities, reserves and fund balances as at 31 December 1999	19
Statement III	Statement of cash flow for the period ending 31 December 1999	20
Statement IV	The Core Budget: Statement of appropriations for the year ended 31 December 1999	21
Schedule 1.1	Status of assessed contributions to the core budget as at 31 December 1999	22-25
Schedule 1.2	Status of voluntary contributions as at 31 December 1999	26
D	NOTES TO THE FINANCIAL STATEMENTS	27 - 32

UNITED NATIONS

Convention to Combat Desertification

A REPORT OF THE EXECUTIVE SECRETARY

Paragraph 20 of the United Nations Convention to Combat Desertification(UNCCD) Financial rules (ICCD/COP(1)/11/Add.1 states that "the accounts and financial management of all funds governed by the present rules shall be subject to the internal and external audit process of the United Nations". In September 2000, the United Nations external auditors carried out a financial audit of UNCCD. This report is therefore based on the audited financial statements of UNCCD.

The permanent secretariat of the UNCCD started its operations in 1999. Funds raised for its operations during the period covered by the audited financial statements amounted to US$ 10,143,196, which comprised of US$5,585,876 under the core budget,US$3,801,224 under the voluntary supplementary fund, US$197,432 under the special fund for participation and US$ 549,664 under the Bonn Fund.

In 1999 actual expenditure under all the trust funds amounted to US$ 9,495,554. Under the core budget, the actual expenditure was US$ 5,024,235. US$ 2,839,424 were utilized from the Supplementary Fund.

US$1,089,421 was spent under the special fund for Participation in facilitating participation of 119 delegates from the affected least developed and developing country Parties to the third session of the Conference of the Parties (Recife, Brazil, 15-26 November) as well as the participation of COP Bureau members in two inter-sessional meetings (Bonn, Germany).

Major activities and results thereof undertaken by the secretariat in the reporting period under the core budget are as follows:

1. Development of closer cooperation and synergies with activities of other relevant conventions, UN bodies and international, intergovernmental and non-governmental organizations was given priority in 1999. The executive direction and management held many consultations with government authorities, inter-governmental bodies and other partners on co-operation in the framework of the implementation of the Convention at the national, sub-regional and regional levels.

2. Awareness and advocacy for the desertification issues were intensified with the aim of widening the global support to the Convention. These efforts have resulted in a number of positive developments for UNCCD: 15 new Parties acceded to or ratified the Convention in 1999 bringing the total number of the Parties to 160.Further, substantial ground work was made to ensure that many other developed and developing countries will be joining the UNCCD in the very near future. The intensive activities undertaken during this period explain the level of expenditure under the core budget for this programme.

3. In accordance with decision 24/COP.2, the third session of the Conference of the Parties (COP 3) was held in Recife, Brazil from 15 to 26 November 1999 and 129 parties and observers to the Convention as well as several international organizations participated. COP 3 initiated the review

of the implementation of the convention and considered 43 reports from African affected country Parties and sub-regional Organizations. 23 decisions were adopted including the Convention budget for the biennium 2000/2001, the promotion and strengthening of relationships with other relevant conventions and international bodies, the programme of work of the Committee on Science and Technology, the Medium Term Strategy of the Secretariat, the procedure for the review of the implementation of the Convention, the first review of policies, operational modalities and activities of the Global Mechanism and an initiative towards a declaration of commitments to enhance the implementation of the Convention. 53 pre-session and 29 in-session documents were prepared for COP.3. A two-day meeting of Members of Parliaments was convened from 22 to 23 November 1999 with the participation of 39 Parliamentarians from 28 countries.

4. The secretariat facilitated the organisation of nine national awareness raising seminars, three subregional meetings, three regional meetings and four regional workshops. Two interregional meetings were supported under the Supplementary Fund. Several other seminars, workshops and meetings at national, subregional and regional levels related to the Convention were facilitated through various subregional, regional and non-governmental institutions. Support was provided on request to some countries to facilitate the implementation process.

5. During the period under review, 29 National Action Programmes have been finalized in various regions. Three Subregional Action Programmes have been launched in Africa and also three in the Latin American and the Caribbean region. Six regional thematic programme networks have been prepared both in Africa and in Asian regions. Support was also provided for the functioning of three Regional Co-ordination Units through extra budgetary contributions.

6. In the Africa region, the main emphasis was to assist in the preparation of the national reports for the COP.3. A total of 43 African countries submitted their reports to the Conference. Countries also made substantial progress in the elaboration of their national action programmes. By the end of 1999, 13 national action programmes were in place. The countries concerned are now consulting their development partners for the negotiation and conclusion of partnership agreements. Three subregional action programmes (SRAPs)have been finalized and the implementation of priority activities identified in the SRAPs has started. Support given to facilitate the elaboration of the Regional Action Programme (RAP) has resulted in the designation of institutional focal points to co-ordinate the six thematic programme networks for Africa, and in launching of the first activities of the RAP towards the end of the year with the full backing of the Regional Coordination Unit.

7. In the Asia region, the national awareness raising seminars strengthened the role of the national coordination bodies and encouraged the development of the national action programmes. Three countries were assisted in the preparation of their NAPs, bringing the total number of completed NAPs to six. The secretariat also facilitated the elaboration of the Regional Action Programme which resulted in the designation of the institutional focal points to co-ordinate the six thematic programme networks. Further, the secretariat facilitated the organization of Asian focal points meeting and the organization of inter-regional meeting between Africa and Asia on early warning systems. Necessary consultations on the additional regional implementation annex for Central and Eastern Europe was also facilitated.

8. In the Latin America and the Caribbean region, the Secretariat facilitated the organisation of four national awareness seminars, an expert meeting on benchmarks and indicators and the fifth meeting for the Regional Action Programme to Combat desertification. An information bulletin for the region

was published regularly and assistance was also provided for the operation of the regional information system DESELAC as well as to the functioning of the regional co-ordination unit. In 1999, eight national action programmes were in place and three Subregional Action Programmes were being developed.

9. In the Northern Mediterranean region the Secretariat provided technical advise in the preparation of the National and the Regional Action Programmes.
Further, the Secretariat participated in the preparation and organisation of the regional focal point and ministerial meetings of the Annex IV countries.
The efforts of some affected countries in the Region resulted in the adoption of one NAP in June 1999 and the adoption of the guidelines of another NAP in July 1999. The Draft Policy Document for the Regional Action Programme were adopted by the regional ministerial meeting in November 1999.

10. Through the above-mentioned activities the Convention has moved from awareness raising to the preparation of action programmes to combat desertification and the promotion of partnership agreements for their timely implementation.

11. External relations and public information focussed on inter-agency co-ordination, the co-operation with non-governmental organisations and public information to promote the Convention. Co-operation with the non-governmental community included support to the organisation of NGO meetings, support to NGO participation to the COP and other related meetings, strengthening of outreach and awareness raising capacities and strengthening of institutional capacities. The information system was upgraded, making the UNCCD web page more user friendly. The secretariat produced educational and public awareness material which have continued to promote awareness on desertification, of its global character, and its interrelations with other environmental issues, in particular with biodiversity and climate change.

12. Achievements in the area of administration and finance include successful relocation of the secretariat from Geneva to Bonn which resulted in all general services being readily available to both internal and external customers. The quality and timely submission of donor reports was improved through the establishment of a system to facilitate the process of funds monitoring and reporting. By the end of 1999, all due donor reports had been submitted to the respective donors. Internal financial and other controls were established with a view to ensure that all resources are properly recorded, controlled and utilised. Many services previously provided by UNOG such as maintaining of personnel data in the Integrated Management Information System (IMIS), reviewing, journalising, and processing and settlement of travel claims, reviewing, reconciling and preparing of accounting journal vouchers for all UNCCD financial transactions was taken over by the administrative and finance unit of the UNCCD.

B CERTIFICATION OF THE FINANCIAL STATEMENTS

September 22 2000

I certify that the appended financial statements of the United Nations Convention to Combat Desertification numbered I to IV, are fairly stated.

UNCCD

Hama Arba Diallo
Executive Secretary
Permanent Secretariat
United Nations Convention to Combat Desertification

UNITED NATIONS CONVENTION TO COMBAT DESERTIFICATION **Statement I**

Statement of income and expenditures and changes in reserves and fund balances
for the year ending 31 December 1999
(Expressed in US Dollars)

	SCHEDULE/ NOTE REFERENCE	TRUST FUND FOR THE CORE BUDGET OF THE UNCCD (UX)	TRUST FUND FOR PARTICIPATION OF REPRESENTATIVES OF STATE PARTIES IN THE SESSIONS OF OF THE UNCCD CONFERENCE (UV)	TRUST FUND FOR VOLUNTARY FINANCING OF ACTIVITIES UNDER THE UNCCD (UW)	TRUST FUND FOR CONVENTION EVENTS ORGANIZED BY THE UNCCD SECRETARIAT (BM)	TOTAL
INCOME:						
Assessed Contributions	Note 2 (g) (i)	4,956,870	-	-	-	4,956,870
Voluntary Contributions	Note 2 (g)(ii)	601,384	102,221	3,836,350	542,477	5,082,432
Other/Miscellaneous Income						
Interest income	Note 2 (g) (iii)	27,622	20,211	27,530	7,187	82,550
Miscellaneous	Note 2 (g) (iv)	-	-	12,344	-	12,344
TOTAL INCOME		**5,585,876**	**122,432**	**3,876,224**	**549,664**	**10,134,196**
EXPENDITURE:						
TOTAL EXPENDITURE	Note 3	**5,024,235**	**1,089,421**	**2,839,424**	**542,474**	**9,495,554**
NET EXCESS (SHORTFALL) OF INCOME OVER EXPENDITURE		**561,641**	**(966,989)**	**1,036,800**	**7,190**	**638,642**
Transfers (to)from other funds		-	1,372,444	1,507,658	-	2,880,102
RESERVES AND FUND BALANCES: END OF PERIOD		**561,641**	**405,455**	**2,544,458**	**7,190**	**3,518,744**

The accompanying notes are an integral part of the financial statements

UNITED NATIONS CONVENTION TO COMBAT DESERTIFICATION **Statement II**

Statement of assets, liabilities, reserves and fund balances
as at 31 December 1999
(Expressed in US Dollars)

	SCHEDULE/ NOTE REFERENCE	TRUST FUND FOR THE CORE BUDGET OF THE UNCCD (UX)	TRUST FUND FOR PARTICIPATION OF REPRESENTATIVES OF STATE PARTIES IN THE SESSIONS OF OF THE UNCCD CONFERENCE (UV)	TRUST FUND FOR VOLUNTARY FINANCING OF ACTIVITIES UNDER THE UNCCD (UW)	TRUST FUND FOR CONVENTION EVENTS ORGANIZED BY THE UNCCD SECRETARIAT (BM)	TOTAL
ASSETS						
Cash and term deposits	Note 2 (f), 4	577,862	1,275,419	2,834,394	207,666	4,895,341
Accounts receivable						
Assessed contributions receivable from Member States	Sched 1.1	396,736	-	-	-	396,736
Inter-fund balances receivable		131,913	-	217,223	-	349,136
Other accounts receivable	Note 5	506,177	69,293	52,772	1,887	630,129
TOTAL ASSETS		**1,612,688**	**1,344,712**	**3,104,389**	**209,553**	**6,271,342**
LIABILITIES						
Contributions/Payments received in advance	Sched 1.1	402,125	-	-	-	402,125
Unliquidated obligations		477,055	929,306	549,429	134,689	2,090,479
Accounts payable						
Inter-fund balances payable		-	9,951	-	38,343	48,294
Other accounts payable	Note 6	171,867	-	10,502	29,331	211,700
TOTAL LIABILITIES		**1,051,047**	**939,257**	**559,931**	**202,363**	**2,752,598**
RESERVES AND FUND BALANCES						
Operating reserve	Note 7	-	163,413	425,914	-	589,327
Working Capital Reserve	Note 7	417,011	-	-	-	417,011
Cumulative surplus (deficit)		144,630	242,042	2,118,544	7,190	2,512,406
TOTAL RESERVES AND FUND BALANCES		**561,641**	**405,455**	**2,544,458**	**7,190**	**3,518,744**
TOTAL LIABILITIES, RESERVES AND FUND BALANCES		**1,612,688**	**1,344,712**	**3,104,389**	**209,553**	**6,271,342**

The accompanying notes are an integral part of the financial statements

UNITED NATIONS CONVENTION TO COMBAT DESERTIFICATION **Statement III**

Statement of cash flow for the period ending 31 December 1999

(Expressed in United States dollars)

	TRUST FUND FOR THE CORE BUDGET OF UNCCD (UX)	TRUST FUND FOR PARTICIPATION OF REPRESENTATIVES OF STATE PARTIES IN THE SESSIONS OF THE UNCCD CONFERENCE (UV)	TRUST FUND FOR VOLUNTARY FINANCING OF ACTIVITIES UNDER THE UNCCD (UW)	TRUST FUND FOR CONVENTION EVENTS ORGANIZED BY THE UNCCD SECRETARIAT (BM)
	1999	**1999**	**1999**	**1999**
CASH FLOWS FROM OPERATING ACTIVITIES	-	-	-	-
Net excess (shortfall) of income over expenditure (Statement I)	561,641	-966,989	1,036,800	7,190
(Increase) decrease in contributions receivable	-396,736	-	-	-
(Increase) decrease in other accounts receivable	-506,177	-69,293	-52,772	-1,887
Increase (decrease) in contributions received in advance	402,125	-	-	-
Increase (decrease) in accounts payable	171,867	-	10,502	29,331
Increase (decrease) in unliquidated obligations	477,055	929,306	549,429	134,689
Less Interest income	-27,622	-20,211	-27,530	-7,187
NET CASH FROM OPERATING ACTIVITIES	**682,153**	**-127,187**	**1,516,429**	**162,136**
CASH FLOWS FROM INVESTING AND FINANCING ACTIVITIES				
(Increase) decrease in inter-fund balances receivable	131,913	-	-217,223	-
Increase (decrease) in inter-fund balances payable	-	9,951	-	38,343
Plus Interest income	27,622	20,211	27,530	7,187
NET CASH FROM INVESTING AND FINANCING ACTIVITIES	**-104,291**	**30,162**	**-189,693**	**45,530**
CASH FLOWS FROM OTHER SOURCES				
Other adjustments to fund balances	-	1,372,444	1,507,658	-
NET CASH FROM OTHER SOURCES	-	**1,372,444**	**1,507,658**	-
NET INCREASE (DECREASE) IN CASH AND TERM DEPOSITS	**577,862**	**1,275,419**	**2,834,394**	**207,666**
CASH AND TERM DEPOSITS (01 January 1999)	-	-	-	-
CASH AND TERM DEPOSITS (31 December 1999)	**577,862**	**1,275,419**	**2,834,394**	**207,666**

The accompanying notes are an integral part of the financial statements

UNITED NATIONS CONVENTION TO COMBAT DESERTIFICATION

Statement IV

THE CORE BUDGET STATEMENT OF APPROPRIATIONS
FOR THE YEAR ENDING 31 DECEMBER 1999
(Expressed in US Dollars)

Budget Classification	Appropriations			Expenditures			
	Initial Approved 1999 Budget (COP1)	Adjustments	Revised Approved 1999 Budget (COP2)	Disbursements	Unliquidated Obligations	Total	Balance
Policy-making organs	48.000	-6.000	42.000	135	32.954	33.089	8.911
Executive direction and management	557.600	67.400	625.000	655.033	49.572	704.605	-79.605
Substantive Support to the COP and its Subsidiary Bodies	842.900	-300.900	542.000	412.154	62.988	475.142	66.858
Facilitation of implementation and Coordination	1.006.800	377.200	1.384.000	1.137.860	76.750	1.214.610	169.390
External Relations and Public Information	431.900	-43.900	388.000	269.093	56.049	325.142	62.858
Administrative Unit	1.094.300	-93.800	1.000.500	540.761	198.742	739.503	260.997
Global Mechanism	1.003.000	0	1.003.000	987.000		987.000	16.000
Programme Support Costs	648.000	0	648.000	503.322		503.322	144.678
Total	**5,632,500**	**0**	**5,632,500**	**4,505,358**	**477,055**	**4,982,413**	**650,087**
Working Capital Reserve	467.500		467.500	417.011		417.011	50.489
Grand Total	**6,100,000**	**0**	**6,100,000**	**4,922,369**	**477,055**	**5,399,424**	**700,576**

* This figure does not include an amount of US$ 41.822 relating to exchange loss in the year 1999

The accompanying notes are an integral part of the financial statements

UNITED NATIONS CONVENTION TO COMBAT DESERTIFICATION
Status of assessed contributions as at 31 December 1999
(Expressed in US Dollars)

Schedule1.1

Member States	Assessed Contributions for 1999	Contributions Received in 1999	Contributions Received in advance for 2000	Contributions receivable as at 31.12.1999
Trust Fund for the Core Budget of the UNCCD (UX)				
Afghanistan	200	-	-	200
Algeria	6.690	9.200	2.510	-
Angola	500	-	-	500
Antigua and Barbuda	150	200	50	-
Argentina	73.060	73.410	350	-
Armenia	790	-	-	790
Austria	67.160	67.460	300	-
Azerbaijan	1.590	-	-	1.590
Bahrain	1.240	1.683	443	-
Bangladesh	500	-	-	500
Barbados	590	1.400	810	-
Belgium	79.660	-	-	79.660
Belize	50	-	-	50
Benin	150	-	-	150
Bolivia	500	-	-	500
Botswana	740	1.800	1.060	-
Brazil	104.660	-	-	104.660
Burkina Faso	150	150	-	-
Burundi	50	-	-	50
Cambodia	50	50	-	-
Cameroon	940	-	-	940
Canada	196.540	197.530	990	-
Cape Verde	150	-	-	50
Central African Republic	50	-	-	50
Chad	50	-	-	50
Chile	9.370	9.370	-	-
China	69.440	69.775	335	-
Colombia	860	-	-	860
Comoros	50	-	-	50
Congo	50	-	-	50
Cook Islands	50	-	-	50
Costa Rica	1.140	-	-	1.140
Côte d'Ivoire	640	-	-	640
Cuba	1.830	-	-	1.830
Democratic Republic of Congo	500	-	-	500
Denmark	49.220	68.000	18.680	-
Djibouti	50	-	-	50
Dominica	50	-	-	50
Dominican Republic	1.040	-	-	1.040
Ecuador	1.440	-	-	1.440
Egypt	4.660	4.710	50	-
El Salvador	840	-	-	840
Equatorial Guinea	50	-	-	50
Eritrea	50	-	-	50
Ethiopia	450	384	-	66
European Community	123.920	124.700	780	-
Fiji	250	560	310	-
Finland	38.660	38.810	150	-
France	466.630	643.300	176.670	-
Gabon	1.040	-	-	1.040
Gambia	50	-	-	50
Georgia	230	-	-	230
Germany	699.850	706.200	6.350	-

UNITED NATIONS CONVENTION TO COMBAT DESERTIFICATION
Status of assessed contributions as at 31 December 1999
(Expressed in US Dollars)

Schedule 1

Member States	Assessed Contributions for 1999	Contributions Received in 1999	Contributions Received in advance for 2000	Contributions receivable as at 31.12.1999
Trust Fund for the Core Budget of the UNCCD (UK)				
Ghana	500	-	-	500
Greece	25 330	25 000	-	33
Grenada	50	-	-	50
Guatemala	1 290	-	-	1 290
Guinea	200	-	-	200
Guinea-Bissau	50	-	-	50
Guyana	50	-	-	50
Haiti	150	-	-	150
Honduras	200	661	261	-
Hungary	2 140	-	-	2 140
Iceland	2 280	2 280	-	-
India	21 350	21 439	79	-
Indonesia	13 090	13 190	100	-
Iran, Islamic Republic of	13 790	-	-	13 790
Ireland	15 960	22 370	6 340	-
Israel	24 640	24 730	90	-
Italy	387 620	389 600	1 980	-
Jamaica	450	400	-	50
Japan	1 239 200	1 246 600	7 400	-
Jordan	490	-	-	490
Kazakhstan	4 710	-	-	4 710
Kenya	500	-	-	500
Kiribati	50	-	-	50
Kuwait	9 570	-	-	9 570
Kyrgyzstan	990	-	-	990
Lao People's Democratic Republic	50	-	-	50
Lebanon	1 140	-	-	1 140
Lesotho	150	-	-	150
Liberia	150	-	-	150
Libyan Arab Jamahiriya	9 420	-	-	9 420
Luxembourg	4 960	4 910	50	-
Madagascar	200	266	66	-
Malawi	150	200	50	-
Malaysia	12 940	12 940	100	-
Mali	150	-	-	150
Malta	990	970	-	20
Marshal Islands	50	50	-	-
Mauritania	90	190	50	-
Mauritius	640	800	160	-
Mexico	99 990	-	-	99 990
Micronesia	50	-	-	50
Monaco	140	-	-	140
Mongolia	150	-	-	150
Morocco	2 920	4 000	1 080	-
Mozambique	50	-	-	50
Myanmar	500	-	-	500
Namibia	500	590	90	-
Nauru	50	-	-	50
Nepal	250	300	90	-
Netherlands	116 340	116 880	540	-
Nicaragua	50	-	-	50
Niger	150	150	-	-

UNITED NATIONS CONVENTION TO COMBAT DESERTIFICATION
Status of assessed contributions as at 31 December 1999
(Expressed in US Dollars)

Schedule1.1

Member States	Assessed Contributions for 1999	Contributions Received in 1999	Contributions Received in advance for 2000	Contributions receivable as at 31.12.1999
Trust Fund for the Core Budget of the UNCCD (UK)				
Nigeria	2.870	-	-	2.870
Niue	50	-	-	50
Norway	43.520	60.000	16.480	-
Oman	3.670	3.670	-	-
Pakistan	4.210	-	-	4.210
Palau	50	100	50	-
Panama	940	1.300	360	-
Paraguay	990	-	-	990
Peru	6.740	9.400	2.660	-
Portugal	29.740	29.890	150	-
Qatar	1.390	-	-	1.390
Republic of Korea	5.910	-	-	5.910
Republic of Moldova	750	-	-	750
Romania	4.780	4.910	50	-
Rwanda	50	-	-	50
Saint Kitts and Nevis	50	-	-	50
Saint Lucia	50	-	-	50
Saint Vincent and the Grenadines	50	-	-	50
Samoa	50	-	-	50
San Marino	20	-	-	20
Sao Tome and Principe	50	-	-	50
Saudi Arabia	40.600	-	-	40.600
Senegal	450	-	-	450
Seychelles	150	-	-	150
Sierra Leone	50	-	-	50
Singapore	5.250	-	-	5.250
Solomon Islands	50	-	-	50
South Africa	26.120	35.000	8.880	-
Spain	184.740	204.700	19.960	-
Sri Lanka	720	-	-	720
Sudan	450	-	-	450
Swaziland	150	200	50	-
Sweden	77.380	106.700	29.320	-
Switzerland	91.690	119.500	32.810	-
Syrian Arab Republic	4.560	6.300	1.740	-
Tajikistan	350	-	-	350
Togo	50	-	-	50
Tonga	50	-	-	50
Tunisia	2.030	2.700	670	-
Turkey	31.380	31.570	190	-
Turkmenistan	590	-	-	590
Tuvalu	50	-	-	50
Uganda	250	-	-	250
United Arab Emirates	12.690	12.716	26	-
United Kingdom	363.180	365.070	1.890	-
United Republic of Tanzania	200	-	-	200
Uruguay	2.000	-	-	2.000
Uzbekistan	2.630	10.440	7.810	-
Vanuatu	50	-	-	50
Venezuela	12.590	-	-	12.590
Viet Nam	500	-	-	500
Yemen	500	-	-	500

UNITED NATIONS CONVENTION TO COMBAT DESERTIFICATION
Status of assessed contributions as at 31 December 1999
(Expressed in US Dollars)

Schedule1.1

Member States	Assessed Contributions for 1999	Contributions Received in 1999	Contributions Received in advance for 2000	Contributions receivable as at 31.12.1999
Trust Fund for the Core Budget of the UNCCD (UX)				
Zambia	150	-	-	150
Zimbabwe	640	640	-	0
Total	4,956,870	4,962,259	402,125	396,736

Schedule 1.2

UNITED NATIONS CONVENTION TO COMBAT DESERTIFICATION
Status of voluntary contributions as at 31 December 1999
(Expressed in US dollars)

Countries/Trust Funds	Voluntary Contributions Received in 1999
I. Trust Fund for the Core Budget of the UNCCD (UX)	
Germany	601,384
Total	**601,384**
II. Trust Fund for participation of Representatives of States Parties in the session of the UNCCD conference (UV)	
Canada	32,951
Norway	69,270
Total	**102,221**
III. Trust Fund for voluntary financing of activities under UNCCD (UW)	
Belgium	57,462
Canada	36,714
Chile	5,000
Denmark	25,000
Finland	175,803
France	44,344
Ireland	19,790
Italy	495,650
Japan	1,800,024
Mexico	20,000
Netherlands	25,000
Norway	26,379
Spain	158,644
Sweden	28,980
Switzerland	409,484
United Kingdom	30,000
United States	55,000
Sub Total	**3,413,274**
Public donations	**42,998**
Subventions	
IFAD	30,000
OAU	100,000
UNEP	207,500
WMO	42,578
Total	**3,836,350**
IV. Trust Fund for Convention Events organized by CCD Secretariat (BM)	
Germany	542,477
Total	**542,477**
GRAND TOTAL	**5,082,432**

D NOTES TO THE FINANCIAL STATEMENTS

Note 1 Statement of Purpose

The permanent Secretariat of the United Nations Convention to Combat Desertification was established on 1 January 1999 with the following purposes:

a) To make arrangements for sessions of the Conference of the Parties (COP) and its subsidiary bodies established under the Convention and to provide them with services as required;
b) To compile and transmit reports submitted to it;
c) To facilitate assistance to the affected developing country Parties, on request, particularly those in Africa, in the compilation and communication of information required under the Convention;
d) To coordinate its activities with the secretariats of other relevant international bodies and conventions;
e) To enter, under the guidance of the Conference of the Parties, into such administrative and contractual arrangements as may be required for the effective discharge of its functions;
f) To prepare reports on the executions of its functions under this Convention and present them to the Conference of the Parties; and
g) To perform such other secretariat functions as may be determined by the Conference of the Parties.

Note 2 Accounting Policies

The following are the significant accounting policies of the United Nations Convention to Combat Desertification (UNCCD) :

(a) Rules and procedures

The accounts of the Convention are maintained in accordance with the Financial Regulations of the United Nations, its own Financial Rules and in conformity with the United Nations System Common Accounting Standards (A/48/530) as recognized by General Assembly resolution 48/216 C of 23 December 1993 and subsequent revisions.

Under the financial procedures adopted by the Conference of the Parties, the Executive Secretary prepares the administrative core budget for the following biennium and submits it to the COP for its consideration and approval. The approved budget constitutes authority to the Executive Secretary to issue allotments, incur obligations and make payments for the purposes for which the appropriations were approved. 1999 was the first year of operation of the permanent secretariat of UNCCD and the COP approved a core budget of US$ 6.1 million, out of which the equivalent of DM 1 million was paid by the host Government. The remaining amount is raised by all Parties, who are invited to make contributions based on an adjusted United Nations scale of assessment.

(b) Accounting convention

The accounts are prepared on the historical cost basis, modified to the extent that the cost of all property acquired is charged as an expense in the year of purchase except for the period under review where property donated in kind by the host Government was valued using the average UN rate of exchange in 1999.

UNCCD's normal accounting period is a biennium consisting of two consecutive calendar years. However, the first year of operation covered the second year of the biennium to 31 December 1999.

The UNCCD's accounts are maintained on a "fund accounting" basis.
Separate funds for general or special purposes may be established by the Conference of the Parties or the Executive Secretary. Each fund is maintained as a distinct financial and accounting entity, with a separate self-balancing double-entry group of accounts.

(c) Contingent liabilities

The expenditures do not include possible costs to cover contingencies under Appendix D to the United Nations staff rules, for personnel financed under resources obtained from contributions.

(d) Income tax refund policy

The UNCCD salaries are charged to the budget on a net basis during the year in which the services have been rendered. Income tax refunds are charged to the year in which they are made to the staff member.

(e) Unliquidated obligations

Unliquidated obligations are expenditures based on firm obligations entered into, but not disbursed, in the financial period. Unliquidated obligations for the current period in respect of all UNCCD activities remain valid for 12 months following the end of the period to which they relate.

(f) Cash and term deposits

Funds on deposit in interest bank accounts, time deposits and call accounts are shown in the statements of assets and liabilities as cash. All term deposits are placed in line with the United Nations investments policies and guidelines.

(g) Income

(i) Assessed contributions from Party members

Income from assessed contributions is recognized on an accruals basis based on the budget approved by the Conference of the Parties.

(ii) Voluntary contributions

Voluntary contributions to UNCCD trust funds are recorded as income when received.

(iii) Interest income

Interest income is based only on amounts received and accrued from cash and term deposits relating to the financial period. Interest due from cash and term deposits made in the financial period but not maturing until future periods is recorded as accounts receivable.

(iv) Miscellaneous income

Refunds of expenditures charged to prior financial periods, net gains on exchange, moneys accepted for which no purpose is specified and proceeds from the sale of surplus property, are credited to miscellaneous income.

(v) Contributions

All contributions to Secretariat's activities are deposited with United Nations Office in Geneva. UNCCD operates an imprest account in Deutsche Mark to cover its expenditure in Bonn. Reports on the utilization of the imprest account are submitted to UNOG on a regular basis.

(h) Translation of currencies

The financial statements of the UNCCD are presented in United States Dollars, which is the currency best suited to its operations. As per United Nations Accounting standards, transactions in other currencies are recorded in United States Dollars by applying the United Nations operational rate of exchange at the time of the transaction. Realised exchange gain or loss are charged to the appropriate budgetary account. An amount of US$ 41,822 included in the operating expenses relates to exchange loss in 1999.

Note 3 Trust Funds expenditures

The total expenditure of US$ 9,495,554 in Statement I includes the following amounts for 1999 financed from the UNCCD trust funds (in United States dollars)

Description	1999
Staff and other personnel costs	3,159,270
Travel on official business	2,281,235
Contractual services	91,709
Operating expenses	249,495
Acquisitions	1,255
Grants and contributions to joint activities	2,734,289
Programme support costs	978,301
Total	**9,495,554**

Note 4 Cash and term deposits

(in United States dollars)

	As at 31 December 1999
Imprest - Bonn	275,563
Imprest - Field	540,000
Interest-bearing bank deposits maturing within twelve months	4,079,778
Total	**4,895,341**

Note 5 Other accounts receivable

(in United States dollars)

	As at 31 December 1999
Education grant advances	50,211
Travel advances	251,900
Salary advances	182,814
Value Added Tax	13,106
Accrued interest receivable	24,387
Others	107,710
Total	**630,128**

Note 6 Other accounts payable

(in United States Dollars)

	As at 31 December 1999
Staff salaries- Field	166,232
Staff salaries-Bonn	29,959
Others	15,509
Total	**211,700**

Note 7 Operating and Working Capital Reserve

Reserves are established at 15% and 8.3% of the total expenditure under the voluntary trust funds and core budget respectively, to cover unforseen shortfall, uneven cashflows, unplanned costs and other final contingencies. In 1999 there was no need to draw down on the operating reserves and therefore the level of reserve was reported as being US$589,327 (operating reserve) and US$417,011 (working capital reserve) (Statement II).

Note 8 Programme support

The United Nations retains 13% of the actual expenditures of all established UNCCD trust funds for programme support, subject to specific exceptions made by the Controller. When a project is shared between UNCCD and another United Nations agency, programme support charges are also shared accordingly between both organizations with the combined amount not exceeding 13%. In 1999 an amount of US$978,301 has been reported as programme support (Note 3)

Note 9 Non-expendable inventory

Valuation of non-expendable property is limited to items with a value of US$500 and above. In 1999 furniture and equipment valued at US$354,622 was donated by the Government of the Federal Republic of Germany.

Note 10 Disclosure as to participation in the United Nations Joint Staff Pension Fund

UNCCD is a member organization participating in the United Nations Joint Staff Pension Fund which was established by the United Nations General Assembly to provide retirement, death, disability and related benefits. The financial obligation of the organization to the United Nations Joint Pension Fund consists of its mandated contribution at the rate established by the United Nations General Assembly together with its share of any actuarial deficiency payments that might become payable pursuant to article 36 of the regulations of the United Nations Joint Staff Pension Fund.

Note 11 Other donations in kind

Services of a senior scientific officer were donated by the World Meteorological Organization (WMO). In addition the German and Italian governments provide the services of two and one junior professionals respectively. The cost of these services was US$285,000 as indicated in the table below:

(in United States Dollars)

	As at 31 December 1999
World Meteorological Organization (1P-5)	105,000
Federal Republic of German (2 Junior professionals)	120,000
Government of Italy	60,000
Total	**285,000**

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